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February 9, 2005

VIA FEDERAL EXPRESS

Ms. Sharla Dillon, Docket Room Manager
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

**Re: Preliminary Report of Action of a Pre-Issuance Hedge Entered Into Pursuant to
Docket No. 04-00371**

Dear Ms. Dillon:

We enclose the original and fourteen (14) copies of Appalachian Power Company's Preliminary Report of Action of a Pre-Issuance Hedge Entered into Pursuant to this Docket. Please send us one copy back marked filed.

Should the Directors or staff have any questions, please contact the writer. We appreciate your assistance.

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP

William C. Bovender

WCB/pl
Enclosures

cc: William Johnson, Esq. (w/out encl.)
James Bacha, Esq. (w/out encl.)

TENNESSEE:

Before the

TENNESSEE REGULATORY AUTHORITY

REPORT

of

Docket No. 04-00371

APPALACHIAN POWER COMPANY

PRELIMINARY REPORT OF ACTION
OF A PRE-ISSUANCE HEDGE
ENTERED INTO PURSUANT TO
DOCKET NO. 04-00371

1. Appalachian Power Company ("APCo") has entered into the following pre-issuance hedge pursuant to Docket No. 04-00371:

<u>Beginning Date</u>	<u>Maturity Date</u>	<u>Notional Amount</u>	<u>Security to be Issued</u>	<u>Agreement Description</u>
1/24/05	6/15/05	\$25mm*	Up to \$250mm 10 year notes in June 2005	Forward starting 10 year interest rate swap (APCo pays fixed of 4.628%, counterparty pays float)

* This \$25mm is added to \$125mm from the two 10 year pre-issuance hedges set forth below, for an aggregate of \$150mm hedged out of \$250mm 10 year notes to be issued in June 2005. An issuance of 5 year notes in approximately the same amount and at approximately the same time is also anticipated, \$125mm of which has been hedged, as further set forth below.

2. Prior to Docket No. 04-00371, APCo was not required to report its pre-issuance hedges. The currently outstanding pre-issuance hedges set forth in the following table are disclosed as a courtesy to the Commission and treat the reporting requirements of Docket No. 04-00371 as if they were of retroactive effect:

<u>Beginning Date</u>	<u>Maturity Date</u>	<u>Notional Amount</u>	<u>Security to be Issued</u>	<u>Agreement Description</u>
7/2/04	6/15/05	\$65mm	Up to \$250mm 10 year notes in June 2005	Forward starting 10 year interest rate swap (APCo pays fixed of 5.35%, counterparty pays float)
6/28/04	6/15/05	\$60mm	Up to \$250mm 10 year notes in June 2005	Forward starting 10 year interest rate swap (APCo pays fixed of 5.59%, counterparty pays float)

Currently outstanding pre-issuance hedges continued:

<u>Beginning Date</u>	<u>Maturity Date</u>	<u>Notional Amount</u>	<u>Security to be Issued</u>	<u>Agreement Description</u>
6/30/04	6/15/05	\$60mm	Up to \$250mm 5 year notes in June 2005	Forward starting 5 year interest rate swap (APCo pays fixed of 4.987%, counterparty pays float)
8/4/04	6/15/05	\$65mm	Up to \$250mm 5 year notes in June 2005	Forward starting 5 year interest rate swap (APCo pays fixed of 4.7245%, counterparty pays float)

Respectfully submitted this 2nd day of February, 2005.

APPALACHIAN POWER COMPANY

By: 
Assistant Secretary